



MINUTES

July 9, 2024

CITY OF COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY (EDA) MEETING 12800 Ravine Parkway S Cottage Grove, MN 55016

Pursuant to due call and notice thereof, a meeting of the Economic Development Authority was held on the 9th day of June, 2024, at 7:30 a.m.

1. CALL TO ORDER

The meeting was called to order at 7:30 a.m. by EDA President Bailey.

2. PLEDGE OF ALLEGIANCE

Mayor Bailey asked everyone to please rise and join in reciting the Pledge of Allegiance.

3. ROLL CALL

City Clerk Tammy Anderson called the roll: EDA President Bailey-Here; EDA Vice President Olsen-Here; EDA Member Carey-Here; EDA Member Myers-Here; EDA Member Scott-Here; EDA Member Tschida-Arrived after Roll Call was taken.

Members Absent: EDA Member Jean-Baptiste

Staff Present: Jennifer Levitt, City Administrator
Tammy Anderson, City Clerk
Zac Dockter, Parks and Recreation Director
Gretchen Larson, Economic Development Director
Emily Schmitz, Community Development Director

Others Present: Stacie Kvilvang, Ehlers

4. APPROVAL OF MINUTES

4.1 Approve the April 9, 2024 EDA Meeting Minutes.

EDA Vice President Olsen made a motion to approve the April 9, 2024 EDA Meeting Minutes. Motion was seconded by EDA Member Myers. Motion passed unanimously (5-to-0 vote).

5. PRESENTATIONS

5.1 LOST Presentation

Zac Dockter, Parks and Recreation Director, stated I appreciate the opportunity to talk to you today about our Preserve.Play.Prospers Plan, which is a program that gives our residents an opportunity to reinvest in new parks, recreation, and outdoor spaces. Parks and recreation is a definite point of pride in Cottage Grove; if you haven't been out and about this summer, I challenge you to go to any park, as all of our parks are getting used, and they're getting used a lot.

That usage just continues to grow as the community grows as well. We also see in all of our surveys and all of our communication with the residents that people appreciate and love their park and recreation system. It's getting harder and harder to fund large capital investments each year, as the cost of projects increase, the growth of the community means we're also investing into new areas. I will say that we've always been very proud of the fact that we also maintain what we have. If you travel out in the parks and the trails and the open space, you'll see that we do a very good job thanks to the Council's commitment to making sure that we're taking care of all of the acreage and all of the equipment we have out in the parks today.

It's been 40 years since we've had a voter-approved referendum, so it's been a long time since we've made a single large investment into multiple park spaces like we have here with voter approval. I want to make sure that people understand that this isn't a knee-jerk response to a funding need. So, we spent over 18 months, actually closer to two years, studying what our community wanted to see in its future recreation system. What we found through all the surveys and trying to connect with the community was that our

residents want new and improved recreational opportunities for people of all ages, preservation of natural habitat, enhanced connection to parks and nature. Those are broad statements, and there are many specific things that fall under those, like playgrounds or ballfields or whatever it might be, but that's kind of the broad picture of what people want. We took the list of all the items that we heard people say that they wanted, then we tried to condense them and fit them into the park system that we have today.

So, the result of that effort brings us to this Preserve.Play.Prospers Plan, which is proposed to invest \$36M to renovate and revitalize our parks, recreational offerings, and outdoor spaces. There are three key projects: Hamlet Park, Mississippi Dunes Park, and then River Oaks Golf Course and Event Center.

Hamlet Park

Hamlet is our oldest and largest park in Cottage Grove. Obviously, we've invested a lot into Cottage Grove over the past 50 years, but since 1984 we haven't had a large single investment into the entire park itself. So, the proposed plan would invest \$17M to: Upgrade the play equipment; Build a new four-season recreational building; Install a small splash pad; Create a skateboard park; Build an amphitheater, Create an art walk/sculpture garden with benches and informational kiosk; Add a synthetic turf sports field with lighting; Finish the south baseball park complex. We've built two ballfields over the last five or six years, and we would add the last two ballfields on the south side of that. That also includes adding a third parking lot at the entry road, the trails, and landscaping; so, now the park from north to south is essentially complete.

Hamlet Park is kind of split into the north, the central hub, and then the south part of the ballfield complex. The central hub, pictured on the left, shows the main area, probably which you're most familiar with today. The reinvestment of those areas with the amphitheater, the skateboard park, etc. The north is the trail entry off of Grange and 80th Street, so we would enhance that area; that would be kind of where that art walk area would be, as well as a lot of landscaping to promote the north end trail entry.

Mississippi Dunes Park

We have a unique opportunity to create a new 33.3-acre nature themed public park along the Mississippi River. We have long pursued recreational opportunities along the river, and Council can attest that this has been a priority since I've been here, since 2001. One of the goals of Council has always been to increase public access to the Mississippi River. With this recent strategic acquisition, which by the way was all grant funded to get the 33.3 acres, we are now positioned to build a rare park that brings people to the river for a myriad of recreational experiences. So, the proposed \$13M would: Restore and preserve natural habitat of the site; Build up the shoreline along the river; Provide recreational river access for canoes, kayaks, small boats, and fishing; Construct new and enhance existing paved walking and natural hiking trails; Create a nature-based playground, pictured here on the right; Provide space for outdoor classrooms; Build an interpretive learning center, a building that has educational opportunities as well as event opportunities; Add facilities throughout for nature activities and picnicking.

Director Dockter displayed the Master Plan that we've been working on. There have been three-or-four reiterations of the Master Plan, and you'll see some new imagery coming out even after this, but this just kind of shows you how that park lays out. Again, we've acquired all that shoreline along the river from the former Mississippi Dunes golf course, so we're happy that there's almost 2,000 linear feet of shoreline that's been preserved for public access.

River Oaks Golf Course and Event Center

We have the opportunity to make this a year-round multiuse recreation destination for families and people of all ages. I just want to lead off with that this is not about growing the game of golf; this is about doing anything other than golf for the most part at River Oaks to try to get people down there. It is a point of pride in the community, people use it for all sorts of reasons, whether it's weddings, events, golf, bocce ball, bags tournaments, or whatever it might be. There are a variety of ways to use River Oaks, and we're trying to increase that opportunity. The proposed \$6M plan would: Install indoor multi-sports simulators; Add pickleball/event court; Create a new winter mountain biking course; Upgrade the building, as right now there's a separation between the two buildings and we would connect them to make it one building; Enhance the patio dining area, as the patio is a selling point for River Oaks with the river overlook; Build a 9-hole Himalayan putting green course designed for all skill levels, which would be more challenging with moguls, and that's all free to the public.

He displayed images of what the building might look like when it's all connected and enhancing the patio. At the Event Center, the court would align next to the bocce ball courts, and that will be multipurpose, you can have weddings there, small concerts, pickleball tournaments. I'm frequently asked about the golf course and the noise with the pickleballs; there is a little water feature we put in there to try to kind of drown out the sounds of the pickleball courts, but there are also balls that can be used to deaden the sound a little bit, screens that can be put up, and other things we can do to mitigate the sound. The golf course staff is extremely excited about that, and they don't see concerns with that noise. He displayed a photo of the Himalayan green, showing how that lays out next to the clubhouse.

Director Dockter stated I think most people say hey, it looks great, but it looks like it's expensive. As mentioned, it's \$17M for Hamlet Park, \$13M for Mississippi Dunes, and then \$6M for River Oaks Golf Course and Event Center. We've studied a myriad of ways to try

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to come up with a plan that pays for all of that, and we've landed on this idea of the Local Option Sales Tax, with which EDA President Bailey kicked off this presentation. It would result in a 0.5% sales tax increase on any purchases made in Cottage Grove that qualify under the sales tax law; that's basically .01 on every \$2 that you spend, or .50 on a \$100 purchase, and that's over a 25-year period. I should say that the sales tax expires either when the projects are paid off and this a maximum of \$36M; it's either 25 years or \$36M in tax revenue, whichever comes first.

Why the Local Option Sales Tax? It ensures that both residents and nonresidents share in the cost. So, if do a General Obligation Bond for a referendum, that means it solely lands on the backs of the property owners in Cottage Grove; we feel that this spreads it out a little bit more evenly. Also, because of all the visitors that come to Cottage Grove for parks and recreation, this shares the cost with visitors as well. The University of Minnesota did an economic study for us, and they project about 31.3% of sales tax would be paid for by nonresidents, with the remaining paid for by residents. It's also projected that number should continue to increase as Cottage Grove grows its share of non-tax portion.

How a Local Option Sales Tax Works: It's applied to the same items and services and follows the same exemptions as the State sales tax, so things like groceries, clothing, prescriptions, over-the-counter medications, and baby products are not taxed. Otherwise, anyone who purchases qualifying items and services in Cottage Grove would pay that 0.5% sales tax. Projections are each Cottage Grove resident is estimated to pay on average an additional \$23 per year, about \$1.92 per month, for investment into this project.

Questions on the Ballot: We need to have State authority to go to referendum on this, and if we have the authority to do that, one requirement is that each project stands on its own merit. So, there will be three different questions. There will be a header that explains what the City is asking as a summary with the Local Option Sales Tax, and then each project has its own vote. So, you will vote for Hamlet Park separately from Mississippi Dunes and River Oaks Golf Course. The key is if one of those projects pass, it's a 0.5% sales tax increase. If two or three pass, it's still a 0.5% sales tax increase. So, if one, two, or three pass, it's a 0.5% sales tax increase. If just one of the projects passes, there's a 0.5% sales tax increase, and we obviously would generate that revenue sooner and the tax would probably fall off sooner as well. If none of them pass, then there is no sales tax increase.

The key here is that we want to get people to the website. We spent a lot of time, energy, and effort building the website and it's very informative. It has frequently asked questions, a lot of detail on the park projects, and the imagery is being updated almost weekly. As we get questions from the public, we're trying to make sure that those get put on the website. So, as you talk with community members or you're visiting with people and they have questions, I would suggest you direct them to the website as there's a ton of information there. Of course, you can also call us; there are no secrets, everything's on the table, we'll answer any questions that come our way, but at the end of the day it's up to the voters to decide on how they'd like to see this referendum go. Early voting begins Friday, September 20, and Election Day is Tuesday, November 5, 2024. With that, I will stand for questions.

EDA President Bailey thanked Director Dockter for the presentation. He asked if the EDA Members had any particular questions about this proposal.

EDA Member Tschida asked where would this put us for sales tax amongst our neighbors? Like what is Woodbury doing, what is Hastings doing, etc.?

Director Dockter replied that's a very good question. On the website, there is a really good map on there that shows the Local Option Sales Taxes that are being charged in other communities. I think St. Paul is at 1.5%, and Woodbury is currently going to referendum for a 0.5% sales tax to fund their Public Safety facility. Oakdale, Golden Valley, and Bloomington have one in place. So, there's a good map that shows where we would fit in that; there are many communities that already charge a sales tax, typically 0.5% and up. There are also a number of communities that have the sales tax pending. I would direct you to the website to get better data.

EDA Member Tschida stated fair enough, I know St. Paul's is like the highest in the entire State, and they keep adding more of them.

EDA President Bailey stated the other question I sometimes hear and I know Director Dockter has heard this, too, is what if none of them pass? Obviously, personally speaking, I hope they all pass. If none of them pass, what happens with these projects? The answer really is the same as we've been doing for many years, we'd put them on our Capital Improvement Plan (CIP) and slowly but surely the items would get built over many, many years. The purpose behind this is we've heard what our citizens are asking for, so this is an opportunity for us to kind of hit the ground running and get these projects completed. Frankly, Hamlet Park has been worked on for a very, very long time, but we just kind of inch away at it, and that's fine, that's how we decided to do it over the years. This is our way to say, okay, we can put these projects in the ground, and get that park down on the river completed on a quicker basis rather than spreading it over a number of years. Again, I would just say please forward any questions to the website or ask any one of us elected official or our City staff. If the EDA Members have questions from the public, one way or the other, we want everybody to be informed. We've actually had that conversation with the gentleman whose company is working with us on the Local Option Sales Tax proposal; he stated the best thing we can do is make sure as many people as possible have a say in this. It's also a

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presidential election year, so that's the highest turnout, so it really gives everybody the opportunity to say yes or no on these particular questions.

EDA President Bailey thanked Director Dockter for coming in this morning and sharing the information.

5.2 Presentation by Stacie Kvilvang, Ehlers - Business Subsidy & Public Financing Policy

Mayor Bailey stated Stacie Kvilvang from Ehlers is here to discuss Business Subsidy and Public Financing Policy, so I'll kick it over to her to get us rolling.

Stacie Kvilvang thanked EDA President Bailey and the commissioners. There is just maybe one thing that I'll add onto the Local Option Sales Tax discussion is to always remind folks kind of the key thing is that 31% of that money is coming from outside residents coming here to actually use your facilities. So, that's great, that's a good opportunity because as you said, president, essentially that you eventually would do those projects, but it's just going to cost the residents more. So, it's a cheaper way to do it, and spread that around for the benefit of getting something today. That's always a key thing to remember is your using the money of the folks who are coming into Cottage Grove and actually using your facilities to assist in paying for that.

We're going to talk a little bit about your Business Subsidy and Public Financing Policy. We're going to talk about the tools that you have available, and then we're going to talk about some other things that have changed in the legislative session this past year.

So, what is a Business Subsidy? Essentially, it's a statutory requirement that's out there; basically, a Business Subsidy is assistance to commercial businesses, so housing is exempt. So, any housing developments that you may do are exempt from it, it's only for commercial developments. Typically, it's assistance of \$150K or more that kicks this in, where you have to go into your policy that talks about the specifics that you have to have for that. That subsidy can be anything from Tax Increment Financing (TIF) that you may provide, as you've done in the past on your Pay As You Go notes, it could be grants that you provide, it could be interest rate write downs; there are a multitude of things that you could provide. So, as long as that value is \$150K or more, you're going into what your Business Subsidy Policy would actually state.

In 2001 is when a lot of this came into play, as there were changes at the State Legislature. They said if you're going to provide a business subsidy, there's two main things required by Statute: 1) The State wanted to see a minimum job requirement for it, and 2) Wage floor requirement. That's all that's technically required by the Statute, along with doing an agreement, which cities had already done.

Essentially, when we went through this process with the EDA back in 2017, we set the job goal at one fulltime equivalent (FTE) employee. When we had the discussion with the EDA at that time, what I would say to you today is that's where it's at in most cities, because it's just a requirement, it's the minimum requirement. The reason we set it lower, at one job, is there will always be that one project that comes along that you really want, and it's not about job creation, it's about something else for your community. But the reality is, as you may know from all your projects, that job creation goal is actually a lot higher. So, if we take NorthPoint, for example, their job creation goal is over 200 jobs; so, your policy is just the minimum. What you actually get for the assistance that you're doing is likely going to be something higher, but we set it low for the time that that project comes, that job creation isn't the biggest thing that you're doing.

The second thing is the wage requirement. Most cities will set it off of what minimum wage is because that floats, it goes up over time. So, you are currently at two times the State Minimum Wage (2024 Minimum Wage is \$10.85 for large employers, so required to be at \$21.70). We had discussions when we set the policy to look at maybe more, but that was starting to get to be a wage that was really high for probably a lot of the jobs that you get. You didn't want to be able to miss out on some projects that you would want to actually get that are paying good wages at two times, so that's where we settled. In your policy, that's your minimum, it at least has to meet that, but it doesn't necessarily mean that it won't be more. If you take NorthPoint, some of those jobs are a lot higher than that and some are at and exceeding that as well. Again, it's just your policy that you have in there for that.

When we did your policy, we called it a Public Financing Policy, so that wraps in the Business Subsidy requirement, but on top of that, that Public Financing Policy is really a document that's a guide for developers that are coming to the City to build. It has everything in there that they would want to know about the City and what you are actually looking for. So, it's your application process and what are your priorities as an EDA or a City that you actually want to get done.

When we look at your Public Financing Policy, a lot of your things are standard, what we have in a lot of communities, that it meets the Comprehensive Plan, it talks about spin-off development, it talks about all these other things. But what I highlight for you are the two things at the bottom that are probably a little bit different for you as a City because we do like to make these a little bit more individual to the communities: 1) You wanted to improve or add public infrastructure, such as roads, utility extensions, stormwater ponding, etc. So, that's not unusual for a growth community because you're still developing. We always want development to pay for itself. Again, what that benefit is they're coming in for a development, and roads and utilities are needed to

service it; so, they have to pay for that, but essentially, you're willing to give assistance to offset some of that cost because they can be pretty expensive. 2) You wanted to establish business interest that adds to the diversity of the City's offerings. When you're looking at some of it, what you're saying is that we have certain users here or office warehouse, we want to diversify; so, that's kind of a key priority that we have, let's not just do all the same. We want to be able to build into what we have for businesses and service and commerce that is here in our community.

The other thing that we always put in there is what's your desired qualifications? What are the projects that you really want to get or that you want to see in your community? So, this is where we personalize it to you again; the big four that you had last time was anything in your Business Park, the Gateway North district, Cottage View district, and then Langdon, along the portion of West Point Douglas Road, including the Majestic Ballroom, which will get redeveloped some day. So, that's a key for you, and again, the highlight looks a little bit different for you when you look at some of your desired qualifications, as you want development of a full or limited-service hotel. So, you're not necessarily different from other communities, but it just was a key factor of something that you wanted to do. You want opportunities for people to be able to stay, right, when they come to visit or there are weddings over at the golf course. You wanted more opportunities rather than having to go over to Woodbury or someplace else. You wanted to provide opportunities for entertainment venues, such as a movie theater, family fun center, or larger attraction unique to the City. So, again, you're trying to incorporate or make yourself a little bit more of a destination community for some of those things that not only your residents want, but you want other people to be able to come to your community and actually utilize.

Provide façade improvements: There was a lot of talk about some existing businesses that maybe could use some assistance with that. You wanted to help them spruce that up a little bit to change the character of a certain area. Again, the road access was key for a lot of developments that you're doing, and you actually wanted to provide some opportunities for some small businesses. So, let's not forget about the little guys that may eventually become the middle size guys or the big guys, right? You want to have opportunities for those smaller businesses to be able to come to the community and grow here with you.

Public Financing Tools

When you're going to give incentives, what tools do we have to try to draw these kinds of uses or developments that you have; the big two that you always use are TIF and Tax Abatement, and they're kind of the same.

As you recall, TIF is you've got a project or property that's paying property taxes at this level, it's got a certain value, but when you come in and develop or redevelop, the value is up here and you're paying more taxes. So, the tax increment that's available is the difference between current taxes and future taxes. There's little nuances with that with commercial because we have certain taxes that aren't available, but essentially that is what is available.

When you create a TIF District, you have final say and authority. County can't say no, the School District can't say no; it's all encompassed because the goal is development or redevelopment. When you're creating some of your Economic Development Districts that you've done, it's about jobs; that's what you're creating. You've had a couple redevelopments, and it's about getting rid of blight and changing that end use. You've also done some for affordable housing: The Dominion projects, which were the senior housing facilities, and the Rohrs that we also just approved here not long ago.

Tax Abatement: We treat it just like we do TIF, it's increased taxes that they're paying, but the difference with Tax Abatement is that each taxing entity gets their say, if they provide it or not. So, the City has a say, the County has a say, and the School District has a say. Traditionally, what we find throughout the metro is that when you do Tax Abatement, it's usually only the City that participates. The School District will participate if it's housing, especially roads and development for single-family development, because that means more kids, which means more money for the schools, so they're happy to do it. The County will sometimes, if it's about a big job driver or creation or something that meets their standards that they have for economic development within the County as a whole.

Others

- Grants: With any project that comes in, staff is always looking to see what grants are out there because we're always trying to find funds to augment so it's just not the City that's participating.
- Loans (EDA Funds): As an EDA, you could have a revolving loan fund, and you've done some of this through some State funds that you also got that you can provide to a business to either give as a startup or to create more jobs and do some other things. Again, we try to recycle any funds that you have to get them out in the community, working, we do it as a loan, we receive some of that back so that we can then put it back to work in the community again.
- Local Affordable Housing Aid (LAHA): That's a new tool that came out, so that's the .25% sales tax that's paid throughout the metro that's available for affordable housing only. Your City's allocation is about \$125K for 2024 that you'll have here, that's available.

Let's talk about the LAHA: As I said, you've got about \$125K that you'll get in this aid. What most cities are using it for is for their single family rehab programs. You can also use it for development of rental housing that's affordable, you can do it for new single family construction, but there are income requirements that are pretty open, which is really great and gives you a lot of flexibility in

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how to use those dollars. In 2024, the legislature put a couple parameters around that. They said we don't want you to now get this \$125K and just use it as a levy reduction. So, whatever you were doing for other housing programs before, you have to keep doing that; this is to supplement that, it's not to replace it. What they're requiring is that you have to show over the past two years what you've put forward for affordable housing; it could be your CDBG dollars, it could be your actual HRA levy, it could be City levy dollars, anything else that you've done they want to see that because they want to make sure that in the next year, when you spend it, that you just didn't take something else away. So, you didn't spend \$200K last year, and now that you have this, you're only spending \$100K. Again, it's supposed to supplement what you're actually doing out there. I think a challenging thing is for Counties, as they have to regularly consult with local cities within their jurisdiction on qualifying projects, because they have a big portion of the allocation that they're going to be putting to work countywide.

Affordable Housing - Tax Credits

As you recall, there are low income housing tax credits, which are Federal tax credits that are available when you develop affordable rental housing. Essentially, what they're saying now is that if you go through Minnesota housing and you get a tax credit allocation, now you have to pay prevailing wage on that. So, this has been a big discussion at the legislature on a lot of things. They were actually talking about doing it if you actually give TIF as well. What it essentially does is it increases costs by 10%-15%; what does that mean at the end of the day? What that means is that those developers of the affordable housing and the tax credits are going to come to the local communities or others to ask for more money. It's going to cost us more, so it's kind of cost prohibitive in a sense. It's already challenging to build and construct affordable housing because the rents are so much lower, so it's hard to get the math to work. Now, it's getting a little bit harder, so we have to figure that out. There are a lot of communities that have their own local prevailing wage ordinances in place, and some of the developments have struggled or they're not getting the affordable housing at the level that they want. Some will say, well, it doesn't cost anything more to do this; that's not a true statement. When you talk to everyone, it's like yes, you are paying 10%-15%, or in some cases 20%, depending on where you're located, so you're paying more for this. This is something to be cognizant of, it's not a good thing, it's not a bad thing; it's a local choice for some things, but again, for anything that's getting State funding and the Federal tax credits, it's now an actual requirement. So, what we see now happening is the development community is kind of stepping back and taking a pause. There are some developments that have already been through their entitlement process, they've already been awarded either their credits or they're in the process of it. Developers are stepping back and saying we're not sure we're going to do this. For some that are so far in the process, they're going back to those local communities saying we need X amount more now to make this work because of this requirement. Cities have a choice to say yes, we'll dig some more and find some more assistance to provide you, or they're like we don't have anything, can we find it someplace else? So, projects may trickle and move forward, some are going to pause, and some just won't go forward at all. I also think what we're hearing from a lot of the local traditional affordable housing developers is they're starting to leave and find other markets where there aren't these requirements. It's going to be interesting to see how everything shakes out over time, to see what actually happens with regard to that.

Stacie stated with that, I'm happy to answer any questions about some of your local tools, your Business Subsidy Policy, etc.

EDA President Bailey thanked Stacie for the great information. He asked if the EDA Members had any questions at this point.

EDA Vice President Olsen thanked Stacie for being here this morning. One of the questions that I had about the LAHA is when it comes to the requirements around various funding levels, etc., does TIF or matching grant money that a city might use to help create an incentive here, does that count towards those requirements? Or is it purely for lack of a better phrase whatever dollars you hand out to the developer?

Stacie replied essentially it's dollars that you may hand out. So, it's still a little unclear and fuzzy with the reporting. You have done some things for affordable housing in the last two years, and we can show that we provided TIF for this. But you can't be penalized because not everything that comes forward is going to need TIF. It's something that you may do, but you may want to do that instead of TIF, of creating a district, which is also a goal of the legislature; they would also prefer to have less districts out there. So, we will see what happens with the full reporting, if they're going to penalize you for using TIF and saying you have to use that first in the future or not.

EDA Vice President Olsen said the grant issue for me is with many of the grants that we apply for and our City staff, as you know, does an incredible job of seeking out those third-party dollars, some of them come with the stipulation that you have to match up to a certain dollar amount. I was just curious if that match, because it is City funds, would count towards that requirement.

Stacie replied that will count towards that, yes.

EDA President Bailey thanked Stacie for her presentation.

6. BUSINESS ITEMS

6.1 Resolution 2024-07 - Decertification of Tax Increment Financing District No. 1-12

Stacie stated the EDA created this TIF District in 2001. It's larger than what's just shown on the slide here; it originally encompassed 44 parcels, and that was kind of the gateway area to your community that you were looking to develop within there. Some of the more key significant things that really happened where you gave your assistance was the Pres Homes senior housing development because you wanted some affordable senior housing, so that's a 44-unit development. You also have the former Grove Plaza area where the new Hy-Vee is as well; some incentives were also provided there.

In 2006, you entered into an agreement with the developer, Presbyterian Homes, for this site. Ten years later, in 2016, they finally got everything done and completed. So, sometimes it's just challenging. You're like oh, we created a District back in 2001, but it took us a while to get through. Sometimes it's hard to find a developer, it's hard to put the pricing and the financing and everything together and actually get to a point where certain things are happening and moving forward. So, you provided Pres Homes a \$2.4M pay-as-you-go (PAYGO) note, so again, they pay their property taxes and you reimburse them twice a year as they pay those taxes for the improvements. Those improvements were mostly public improvements for roads and intersection and lighting improvements that were happening in the area, and somewhat to an extent for some of the affordable housing. Again, it's something that came forward, they were able to meet that, and you issued the actual note for that.

The public improvements in the District included the roadways and waterways, some of what we see in the area. We got the first tax increment payment on that \$2.4M note in 2017; the anticipated last payment was going to be in 2029, when the District is actually done, as it's done at the end of 2028. So, February 1 is our last 2028 payment that we actually get. So, when we do these, we're always setting up our assistance or our notes based upon what we know today for values, tax rates, etc. Well, we're happy to say is that obligation is actually going to be paid off here on August 1, 2024. So, it's five years earlier than what we anticipated, and that District now is going to be decertified early, which is required by Statute. So, once all your obligations are done, you have to decertify that District. Before you today is the resolution to decertify this District for taxes payable in 2025. I'll be happy to answer any questions.

EDA President Bailey asked Stacie, just for the general public, now that we're decertifying this TIF District, what does that mean? Where do the tax dollars go now?

Stacie replied that's a great question. Essentially, we have modeled this into your long-range FMP, so we're always looking at your Districts and when they're going to be coming off. What it means is that you have more tax capacity available to levy taxes over. So, what you see is that if everything stayed the same and you had more value to levy over, your tax rate would go down; or you're using that captured amount that you have to actually do some other things in your community, and there's no difference to any of the taxpayers.

Recommendation: By motion: Approve Resolution 2024-07 Requesting Decertification of Tax Increment Financing District 1-12 and direct EDA staff and consultants to take all actions required to decertify the TIF District for taxes payable in 2025.

EDA Vice President Olsen made a motion to Approve Resolution 2024-07 Requesting Decertification of Tax Increment Financing District 1-12 and direct EDA staff and consultants to take all actions required to decertify the TIF District for taxes payable in 2025. Motion was seconded by EDA Member Tschida. Motion passed unanimously (6-to-0 vote).

6.2 Resolution 2024-08 - Decertification of Tax Increment Financing District No. 1-18

Mayor Bailey stated now we'll move on to Resolution 2024-08 - Decertification of Tax Increment Financing District No. 1-18. EDA Member Carey stated I'll recuse myself at this point, and EDA President Bailey thanked him for doing so.

Stacie this is for Modern Automotive that's located at 9800 Hemingway Avenue. In 2024, the District was Decertified by the EDA, and you had an action before you to do this earlier. Once we were getting ready to complete all of the Decertification actions, we were reminded that we had an Interfund Loan that was outstanding for this District. So, essentially, we are having you redo the Decertification Resolution because now it's going to be for taxes payable in 2025. Again, with this one, our August 1, 2024 payment will be the last payment on that Interfund Loan note, and then we will move it forward for Decertification, just like we are with TIF District 1-12. Stacie stated with that, I'll be happy to stand for any questions.

EDA President Bailey asked if there were any questions on this, and none were asked.

Recommendation: By Motion: Approve Resolution 2024-08 - Requesting Decertification of Tax Increment Financing District 1-18 and direct EDA staff and consultants to take all actions required to decertify the TIF District for taxes payable in 2025.

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EDA Member Myers made a motion to Approve Resolution 2024-08 - Requesting Decertification of Tax Increment Financing District 1-18 and direct EDA staff and consultants to take all actions required to decertify the TIF District for taxes payable in 2025. Motion was seconded by EDA Member Tschida. Motion passed unanimously (5-to-0 vote, as EDA Member Carey recused himself).

6.3 Resolution 2024-09 - Tax Increment Revenue Note for NorthPoint PAYGO (Cottage Grove Logistics Park)

Stacie stated as you know, this is TIF District 1-20, a District that they are going to be developing, upwards of 3.4 million square-foot of industrial development. Originally, when you approved this District and the Agreement for that, you were looking to give them assistance of about \$12.1M. That amount has been significantly reduced, and the reason for that is because the projections of timing for development. So, they have currently finished Phase 1, as they were required in the Agreement; on the modifications that we have, it's just under 800,000 square feet that's been developed out there. We completed the lookback, so all their qualified costs and everything have been certified. The Public Works Director has signed off on the public improvements that have happened out there. So, now we're at the point that it is an action item before you for us to actually issue that Note. So, as stated before, that Note has been reduced from \$12.1M to about \$7.166M. With that, I'll be happy to answer any questions.

EDA President Bailey asked if any EDA Members had a question on this, and none were asked.

Recommendation: By Motion: Approve Resolution 2024-09, approving the issuance of, and providing the form, terms, covenants, and directions for the issuance of a taxable Tax Increment Revenue Note, Series 2024-B, in an aggregate principal amount not to exceed \$7,166,000.

Motion by EDA Member Tschida to Approve Resolution 2024-09, approving the issuance of, and providing the form, terms, covenants, and directions for the issuance of a taxable Tax Increment Revenue Note, Series 2024-B, in an aggregate principal amount not to exceed \$7,166,000. Motion was seconded by EDA Member Scott. Motion passed unanimously (6-to-0 vote).

6.4 Resolution 2024-010 - Housing and Redevelopment Authority Preliminary Levy

Stacie stated as you know, you already do an EDA Levy, but with your EDA, you have HRA powers, which is pretty common. So, you are able not only to do business development and business loans, but you're also able to do housing project and redevelopment projects. So, you've done it all: You've done affordable housing, you've done business loans, and EDA loans, etc. Essentially, that EDA Levy can only be used for those types of things business and economic development related, whereas an HRA Levy can only be used for housing and redevelopment. So, I'd say the HRA Levy gives you a lot more flexibility because with redevelopment, there's a lot of things that you can do within that. Again, it's great to have that EDA Levy for any loans that you may actually want to do.

Currently, the EDA Tax Levy is \$275K a year. The thing about the EDA Levy is that really it's a City Levy, so it's not as transparent, it's just added on as part of your rate, and you don't see a difference on your tax bill or anything like that, it's not a separate line item. What we're going to actually be doing is we're going to have you levy your HRA Levy as well. The thing is that with both the EDA Levy and the HRA Levy we have statutory maximums that you can do, and they're pretty close because the formula is pretty similar. It's based upon your Taxable Market Value. So, your maximum under the EDA Levy is about \$1.154M, and you're only levying \$275K; you're not taking full advantage of that, but we talked about this under your FMP with the City Council. We'll look to eventually start to ramp that up so that you have a good funding mechanism for future projects that you may want to be undertaking. So, we're not saying that this year that we want to do any increase in that overall levy, we're still going to keep it at \$275K. We're just going to split it between the EDA Levy and HRA Levy. As you can see, your HRA Levy maximum is about \$1.178M. Again, we're still just levying the same amount, we're just splitting it in the buckets and part of that is for transparency. So, now, because of the HRA Levy, you'll actually see that on your tax bill; it's a separate line item, so people can actually see that it's set aside for that.

The other things just to know about EDA and HRA Levies is since the EDA Levy is a City Levy, it's subject to levy limits, which we have not had in a very, very long time. The HRA Levy is not subject to that, if those ever come into play again. It's just something to take under advisement and consideration for that. The Resolution is before you to approve this and set the Public Hearing about that HRA Levy, which is being set for December 3, 2024, at 6:00 p.m. in the Council Chambers. That's part of the final budget approvals that you have. With that, I'll be happy to stand for any questions.

EDA President Bailey asked if any EDA Members had a question on this.

EDA Member Tschida stated I know at our last meeting, we did a housing study. When are we getting that back? I think that would help us inform as to what kind of projects we would see this used for. EDA President Bailey stated I'll have our City Administrator, Jennifer Levitt, speak to that.

Administrator Levitt stated EDA President and Members of the Commission, that's a great question. We will be seeing that housing study probably this fall, so we're anticipating we'll probably report back to you most likely in November with that study. Now, as you know, the City Council has a Strategic Plan, and their Strategic Plan has really included diversity of housing; that's been the mantra and the goal of the Council is to diversify as part of our Strategic Plan. Are we aware that there's a lot of pent-up need

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and demand in our community? Yes. So, is there any challenge to using these funds? No. Honestly, it's going to be more not having enough funds to meet the demands for housing. We hear it, especially from our seniors, there's not enough affordable senior housing, so we know that's a huge demand. Affordability is just huge in the metro right now, and so we know we need that. I know the mayor can attest to this; we met with a Metropolitan Council rep, we really want transit opportunities expanded in our community. Well, it's always that chicken or the egg; you can't get affordable housing if you don't have transit, and you can't get transit if you don't have affordable housing. So, as the City, we need to be making that investment in affordable housing to be able to meet our strategic goals and objectives and to meet the needs of our community. I would say that our needs far outweigh what we have money to do. So, I don't think the study itself is going to tell us anything we don't know because we already know there is this extreme need in our community and in the metro for affordable housing.

EDA President Bailey asked EDA Member Tschida if that answered his question; he replied yes, that's great.

EDA Member Tschida then asked can you remind us what kind of projects we'd be looking to do with this new levy? I know we did one project that was stated earlier, but is it just multifamily, affordable housing like that? Or is it the greater scope that we can accomplish with this?

Stacie replied essentially, your HRA Levy and EDA Levy dollars go into the pots and into the funds. With those, that can be used not only for projects, but it's also for staff and administration that you have. So, that will be utilized for any future projects that come forward. Again, you may have an HRA Levy and it's a matter of when we look at our buckets, at the big, larger financial plan for the City, if it's going to be set aside for specific projects or if we're going to utilize it as part of paying for administrative time or studies, things of that nature, to get you set and focused on a road and a path moving forward for certain projects.

EDA President Bailey stated I guess I'll just jump in there. For example, I happened to be at a meeting in Woodbury a while back, and I believe Woodbury's HRA has a couple million dollars in their account. What they're doing is they're trying to build that number up so that when they have something planned for that, so they're working with a developer to be able to utilize that amount of money. Yes, it's going to take us a while to build up to that amount, but I guess in our particular case, in my opinion, we have two separate buckets; one is really going to be more towards housing and affordable housing, the other one is more through, in my personal opinion, is like economic development kind of things, more on the commercial, business side of things. The HRA Levy only is specific, I believe, to housing, at least that's the way we're proposing it. So, that's kind of the process that we're looking at through there. But is there a project like right now that we go, hey, we could use this? I don't believe so. I know we have a project that had been looking at a spot in Cottage Grove, I don't know if you want to speak to that at this point.

Administrator Levitt replied staff has been meeting regularly with affordable housing builders. I know Council had met with one in a workshop session, down at the 103rd and Hadley area. We've had a number of people interested in that parcel. I think what's making it challenging is you heard in Stacie's presentation with some of those legislative changes, it's making the numbers more challenging. So, we are going to have to come to the table with more money, and so this is really the needed step to get us to that point to help that. Also, it'll help take the burden off of always using TIF for our financing mechanism. So, it's going to give us more tools in our toolbox to be able to offer and incentivize those projects that we really want for our community.

EDA Vice President Olsen stated I'm going to point this at Stacie, but you can certainly toss the ball this way if you need to. Historically, in the metro area, the Met Council has given guidance with respect to what is affordable. So, there's different levels. Back in the early 2000s, we were very lucky as a community that we had the side of the highway where the mayor and I both grew up, over by Hamlet Park, that was considered largely to be affordable housing, single-family homes, because they were older homes built by Orrin Thompson way back when. I think we have crossed over the threshold with respect to the percent of affordable housing that we have, based on property values raising up. So, I'm curious if you have any thoughts or insight into what the Met Council currently perceives as this level of housing is affordable, and when you cross over that threshold, it's no longer affordable. Have they given us new guidance? Is there anything that we should be aware of, in terms of these projects, and what the affordability component looks like or what is the metric that we're trying to hit?

Stacie replied that's a great question. So, the Met Council uses the same stats that the State uses and that local cities use, and it's what we use for TIF. So, HUD comes out every year in about April with what the statistical incomes are on the averages that you have, and they break that into buckets of 30% AMI, 50% AMI, 60% AMI, 80% AMI. So, essentially for anything that is rental housing, it can fall into any one of those buckets that you have and what percentage you have of units within that. Met Council will keep a little bit more of a deeper dive, or not necessarily, sometimes cities have more detailed stats on how many 30%, 50%, and 60% units that you have. When it comes to home ownership, we have kind of two different things, but they're still falling in that statistical data that's provided by the Federal government through HUD of what those affordability parameters are. When you look at Met Council for some of their programs, they would consider more of the affordability in that 60%-80% for home ownership. When you look at TIF Districts, it's at 100% for a family of two or less or 115% for a family of three or more. So, it's a little bit different. Again, it's not

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necessarily the Met Council setting those affordability parameters, they're using the same data that we all have to use for TIF and for other projects. But, again, some of the funding for single family with Met Council may go more in that 60%-80%.

EDA Vice President Olsen thanked Stacie and asked Administrator Levitt if she had anything to add.

Administrator Levitt stated the other thing, too, is Met Council obviously will start launching into our Comprehensive Plan Amendment for 2050 and we'll get our system statements in regards to some of those strategic goals that they have for us regarding our amount of affordability. Obviously, with our land use planning, we're well situated for that, but unfortunately, it does come down to funding for us to be able to hit all of those goals that Met Council establishes for us. We'll be getting our system statements soon, and we'll know what those targets and goals will be for our next Comprehensive Plan Amendment.

EDA President Bailey asked if there were any further questions for Stacie or staff; none were asked. He said there are two separate motions on this.

Recommendation: By Motion: 1) Approve Resolution 2024-10 authorizing a preliminary levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota for fiscal year 2025, a special benefit tax levy, not to exceed \$137,500 per the Proposed 2025 Budget on file with the City. 2) Call for a Public Hearing to consider the adoption of the final levy to be held by the EDA at their regular meeting on December 3, 2024, at 6:00 p.m.

EDA Member Scott made a motion to Approve Resolution 2024-10 authorizing a preliminary levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota for fiscal year 2025, a special benefit tax levy, not to exceed \$137,500 per the Proposed 2025 Budget on file with the City. Motion was seconded by EDA Member Myers. Motion passed (5-to-1, Nay vote by EDA Member Tschida).

EDA Vice President Olsen made a motion to call for a Public Hearing to consider the adoption of the final levy to be held by the EDA at their regular meeting on December 3, 2024, at 6:00 p.m. Motion was seconded by EDA Member Scott. Motion passed (5-to-1, Nay vote by EDA Member Tschida).

6.5 Beige Book Report and Economic Development Updates

Gretchen Larson, Economic Development Director, gave the Beige Book report for both April and May: Employment, Prices, and Consumer Spending: All grew slightly. Wage Increases: Moderate. Construction Activity: Improved since the last report, and construction starts were higher. Commercial Real Estate Activity: Flat. Industrial Space: Vacancy rates were higher, with interest rates and market saturation continued to plague that sector. Office Market Sector: Residential Real Estate: Sales were strong. Manufacturing Activity: Slowed. Agricultural Conditions: Remained stable. Oil and Gas Exploration: Remained unchanged. Minority and Women-Owned Businesses: Reported an equal share of lower, unchanged, or higher sales. So, the economy is doing well but not fantastic yet.

Cottage Grove Construction Updates: Bluestem Senior Living (Trellis): First floor framing is complete, second floor has started. O2B Kids: Finishing work on the project is continuing. Gerber Collision: Plans have been reviewed and approved for the new building; approval from Planning and Engineering is still needed. Discount Tire: Remodel plans have been reviewed for the project in the former Big O building. Hohenstein's: A Temporary Certificate of Occupancy was issued; they're hoping to do a grand opening or ribbon cutting later this month. Mr. Hohenstein said he'll certainly notify us when he's ready. NorthPoint: The building permit has been approved and invoiced for a speculative office buildout for the remaining space in the smaller NorthPoint building. Chase Bank: Interior finishing work continues. Preparations for paving the parking lots are near completion. Norhart Apartment Building: Plans have been approved, but payment for the permit is still pending. Director Larson stated she'd be happy to answer any questions, as would Emily Schmitz, the Community Development Director, but none were asked.

6.6 Dowdle Art Program Updates

Director Larson stated we're still coordinating logistics for the project, which is going to take place on September 14 at the Cottage Grove Middle School. We still need to determine the special guests that will be a part of the program, and we need to invite the local media to interview Mr. Dowdle and anyone else who will be in the program. As we talk about the special guests and their part in the program, the giclee wooden puzzle piece is when they come on the stage, they talk a little bit about their piece of the puzzle, and they actually put it into the puzzle. Eric has also created some mini videos for us to kind of generate excitement about the event, and one of those went out either last week or early this week. We're still working on the delivery of the painting and coordinating of the puzzles and also coordinating staffing needed to sell the puzzles at the event. We got a sneak peek at the painting, which is not really available to anybody other than you, and it's coming along nicely. So, we now we're still on track. She stated she'll be happy to answer any questions on this.

EDA Member Tschida stated I thought part of moving it to September was that this unveiling event would be open to the public.

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Director Larson replied that is correct, it is open to the public. It will start about 8:00 a.m. with the media and then the VIPs having a little bit of face time with the artist. Then we'll move into the public portion of it, where folks will be invited to be there to either purchase puzzles and participate in the program by seeing the entire unveiling. After that, we will hopefully take the artist over to the Food Truck Festival, where he'll continue to sign and sell puzzles.

EDA Member Tschida stated fair enough, thank you.

6.7 Business Retention and Expansion Program Updates

Director Larson stated on this item, staff tours are taking place at area businesses. At some point, EDA Members will also be invited to those tours. We're just starting it because part of the discussions that we had with the businesses was that they were interested in doing things a little more informally, on occasion, instead of always having to be some sort of production. So, we started with VanMeter and then we actually went over to Gardenworld as well. So those interested we'll be sending out invitations once we kind of figure out what the pattern is. Renewal by Andersen is supposed to be later this month. We're also working with the Chamber on Grow MN! on the draft survey questions. You all have had a chance to weigh in on them, and now we're using some more expertise since we joined the program to figure out what is the optimal number of questions to ask people, and can we make it a survey that's quick enough, short enough, and succinct enough that both small and large businesses will participate. Grow MN! is part of that program; they also agreed to analyze the surveys and join us in business interviews as well, as have some of you wanted to join in the interviews. We hope to have the draft survey completed in July, distributed after the Labor Day holiday, and give them 30 days to respond. In order to encourage the businesses to take the survey, we came up with the idea of the chance to win a \$250 gift certificate for like an afterhours team building event for the winner, with their employees, at River Oaks. It's moving forward, but we're not quite finished yet. I'll be happy to answer any questions about that.

EDA President Bailey stated the only comment I'll mention and I'll see if our EDA has any comments or questions, but in these interviews we are learning some pretty exciting things, whether it's businesses that want to continue to expand in Cottage Grove and are looking to us for guidance. In another particular case, a business that has been expanding multiple times in our community. We were at the golf outing for Swing for the Scholarship for the Chamber, and found out that they're already under spaced; in other words, they need more of a building. The good news for us is we can start working with them on finding additional building opportunities within the City of Cottage Grove. He personally thought another interesting thing was in most of these cases, these businesses want to actually own the buildings, they don't necessarily want to lease. So, we've got one of those warehouses at NorthPoint Logistics, which is completely filled now, correct?

Director Larson replied Director Schmitz has left, but I don't think the Lumberman's deal is finished, but they are interested in taking the rest of it.

EDA President Bailey stated obviously VanMeter has got the rest of that, so the biggest building in there is still vacant at this time. Director Larson replied yes, that is still vacant. There is a lot of interest in NorthPoint, but you're absolutely right; the City Administrator and the team have been working with all of the various businesses. As Stacie noted, things change sometimes, like NorthPoint always said they would never sell, and then they said, well, we'll think about it. The same thing with some saying, well, I just want to lease and I don't want to own it, some of them have changed their mind as well. So, all of those discussions are going on.

EDA President Bailey asked if there were any questions from the EDA, but none were asked. EDA President Bailey thanked Director Larson for the information.

7 PUBLIC HEARINGS - None.

8 OTHER BUSINESS

8.1 EDA CALENDAR - EDA President Bailey noted our next EDA Meeting will be on September 10, so there will not be a meeting in August.

8.2 EDA COMMENTS - None.

8.3 RESPONSE TO PREVIOUS EDA COMMENTS - None.

9 WORKSHOP - None.

10 ADJOURNMENT

EDA Vice President Olsen made a motion to adjourn. Motion was seconded by EDA Member Scott. Motion passed unanimously (6-to-0 vote). The meeting was adjourned at 8:35 a.m.

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Respectfully submitted,

Gretchen Larson
Economic Development Director

/jag